

**FILLMORE TOWNSHIP  
ALLEGAN COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED MARCH 31, 2008**

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Zeeland, Michigan

**Fillmore Township, Michigan  
ANNUAL FINANCIAL REPORT  
Year Ended March 31, 2007**

**TABLE OF CONTENTS**

	Page
Independent Auditor's Report .....	I
Management's Discussion and Analysis .....	II
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets .....	1
Statement of Activities .....	2
Governmental Fund Financial Statements	
Balance Sheet .....	3
Statement of Revenue, Expenditures and Changes in Fund Balances .....	4
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	5
Proprietary Fund Financial Statements	
Statement of Net Assets .....	6
Statement of Revenue, Expenses and Changes in Net Assets .....	7
Statement of Cash Flows .....	8
Fiduciary Fund Financial Statement	
Statement of Fiduciary Net Assets .....	9
Notes to Financial Statements .....	10
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund .....	20



## INDEPENDENT AUDITOR'S REPORT

September 22, 2008

Township Board  
Fillmore Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fillmore Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fillmore Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fillmore Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Kiekover, Scholma & Shumaker, PC*

## Management's Discussion and Analysis

As management of Fillmore Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

### Financial Highlights

- The assets of Fillmore Township exceeded its liabilities at the close of the most recent fiscal year by \$3,068,197 (*net assets*). Of this amount, \$1,450,931 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$130,400. This is reflected in a net increase in capital assets, net of related debt of \$235,652, a decrease in restricted net assets of \$20,399, and a decrease in unrestricted net assets of \$84,853.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$810,347, a decrease of \$73,075 in comparison with the prior year. Approximately 61.7% of this total amount, \$500,048, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$500,048 or 54.6% of total general fund expenditures and transfers out.
- The Township's total debt decreased by \$79,537 (2%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$79,537, while issuing no new debt during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activity of the Township consists of water distribution.

The government-wide financial statements can be found on pages 1 and 2 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories, governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and M-40 Sewer Debt Fund, which are reported as major funds, and for the Cemetery Trust Fund, which is considered to be a nonmajor fund.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its water distribution system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Utilities Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Township accounts for one type of fiduciary funds, agency funds. One agency fund is maintained to account for tax collections.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-19 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparison for the Township's General Fund, found on pages 20 and 21 of this report.

### **Government-wide Financial Analysis**

**Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Fillmore Township, assets exceeded liabilities by \$3,068,197 at the close of the most recent fiscal year.

A large portion of the Township's net assets (41.2%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (11.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,450,931) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of Fillmore Township as of March 31, 2008 and 2007.

**TABLE 1 - Fillmore Township's Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 886,860	\$ 962,463	\$ 941,411	\$ 1,213,123	\$ 1,828,271	\$ 2,175,586
Capital assets	<u>1,101,761</u>	<u>752,850</u>	<u>3,555,556</u>	<u>3,493,283</u>	<u>4,657,317</u>	<u>4,246,133</u>
Total assets	<u>1,988,621</u>	<u>1,715,313</u>	<u>4,496,967</u>	<u>4,706,406</u>	<u>6,485,588</u>	<u>6,421,719</u>
Long-term debt outstanding	51,425	55,962	3,341,134	3,405,334	3,392,559	3,461,296
Other liabilities	<u>19,409</u>	<u>17,824</u>	<u>5,423</u>	<u>4,802</u>	<u>24,832</u>	<u>22,626</u>
Total liabilities	<u>70,834</u>	<u>73,786</u>	<u>3,346,557</u>	<u>3,410,136</u>	<u>3,417,391</u>	<u>3,483,922</u>
Net assets:						
Invested in capital assets, net of related debt	1,050,336	696,888	214,422	332,218	1,264,758	1,029,106
Restricted	352,508	372,907	-	-	352,508	372,907
Unrestricted	<u>514,943</u>	<u>571,732</u>	<u>935,988</u>	<u>964,052</u>	<u>1,450,931</u>	<u>1,535,784</u>
Total net assets	<u>\$ 1,917,787</u>	<u>\$ 1,641,527</u>	<u>\$ 1,150,410</u>	<u>\$ 1,296,270</u>	<u>\$ 3,068,197</u>	<u>\$ 2,937,797</u>

**Change in Net Assets** - As shown in Table 2 (changes in net assets) the Township's total revenues were approximately \$962,976 for the current year, of which 60.9% was obtained from property taxes. Charges for services accounted for another 9.2% of the total and state shared revenues were 20.1%. The balance of the Township's revenues was primarily derived from interest earnings and other sources. The total cost of all programs and services for the year ended March 31, 2008 was approximately \$833,000. Township expenses cover a wide range of services. For the current fiscal year, about 19.7% of the Township's expenses related to general government services, 31.7% related to public safety, 10% related to public works, 1% related to community and economic development, and 37.6% related to the provision of water services.

Net assets increased by \$276,260 for the Township's governmental activities.

The following analysis highlights the changes in net assets for the years ended March 31, 2008 and 2007.

**TABLE 2 - Fillmore Township's Changes in Net Assets**

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 74,245	\$ 65,074	\$ 13,878	\$ 15,830	\$ 88,123	\$ 80,904
General revenues						
Property taxes	536,444	545,704	49,788	47,686	586,232	593,390
State shared revenues	193,543	193,657	-	-	193,543	193,657
Interest	30,660	31,864	53,579	49,822	84,239	81,686
Other	10,839	10,550	-	-	10,839	10,550
Total revenues	845,731	846,849	117,245	113,338	962,976	960,187
Program expenses						
General government	163,903	154,512	-	-	163,903	154,512
Public safety	263,933	216,246	-	-	263,933	216,246
Public works	82,841	58,120	-	-	82,841	58,120
Community and economic development	6,018	8,051	-	-	6,018	8,051
Interest on long-term debt	2,564	2,742	-	-	2,564	2,742
Water and sewer	-	-	313,317	42,274	313,317	42,274
Total expenses	519,259	439,671	313,317	42,274	832,576	481,945
Change before transfers	326,472	407,178	(196,072)	71,064	130,400	478,242
Transfers	(50,212)	(52,314)	50,212	52,314	-	-
Change in Net Assets	\$ 276,260	\$ 354,864	\$ (145,860)	\$ 123,378	\$ 130,400	\$ 478,242

### Financial Analysis of the Township's Funds

**Governmental Funds** - Our analysis of the Township's major funds begins on page 3, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major governmental funds for fiscal year 2008 consist of the General Fund and M-40 Sewer Debt Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2008 decreased by \$305 to \$842,624. Property tax revenues decreased by \$5,158 or .9%. State shared revenues decreased by \$52. All other General Fund revenue sources increased by \$4,905.

General Fund expenditures and other financing uses increased in fiscal 2008 by \$301,335 or 49%, to \$915,818. The most significant changes occurred in the categories of Public Works and General Government. Public Works changes resulted from increased road improvement expenditures while General Government purchased additional land for general use during fiscal 2008.



The March 31, 2008 fund balance of the general fund is \$794,345, of which \$180,144 (22.7%) is reserved for fire protection, \$82,904 (10.4%) is reserved for highway and street projects, \$31,249 (3.9%) is reserved for construction code activities, and \$500,048 (63%) is unreserved. This is a decrease of \$73,194 from the prior year. The \$500,048 unreserved fund balance is approximately 54.6% of fiscal 2008 expenditures and operating transfers to other funds which amounted to \$915,818.

The M-40 Sewer Fund is used to account for payment of long-term debt issued in connection with the M-40 sewer expansion project. Total M-40 Sewer Debt Fund revenues, consisting of interest income and special assessments, decreased by \$245, or 3.3%, to \$7,215. During the year the M-40 Sewer Fund had \$7,101 in expenditures (all of which were for debt service), compared to \$7,280 in the prior year. The March 31, 2008 fund balance of the M-40 Sewer Debt Fund is \$14,541 (all of which is reserved for debt service), an increase of \$114 from the prior year.

**Proprietary Funds** – The Township’s proprietary fund provides the same type of information found in the government-wide financial statements (business-type activities), but in more detail. The Township’s proprietary fund is the Utilities Fund (accounts for the Township’s water distribution system).

Utilities Fund revenues for fiscal year 2008 consisted of operating revenues of \$13,878 from charges for services, and non-operating revenues of \$103,367, which were comprised of \$49,788 in property taxes and \$53,579 in interest income. Transfers in from other funds totaled \$50,212. Operating expenses for fiscal year 2008 consisted of \$34,514 for operation and maintenance, \$38,928 for general and administrative expenses, and \$90,266 for depreciation expenses.

Utilities Fund debt decreased by \$75,000 during fiscal year 2008 due to the Township making a \$75,000 principal payment, while acquiring no new Utilities Fund debt during the year.

The Township completed \$152,539 of construction during the fiscal year and has \$0 of remaining construction commitments relating to these projects as of March 31, 2008.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$148,806 below the final budget. The General Fund’s fund balance decreased by \$73,194 compared to a budgeted decrease of \$222,000.

## Capital Assets and Debt Administration

**Capital assets.** The Township's investment in capital assets as of March 31, 2008, amounted to \$4,657,317 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and sidewalks, and certain flowage rights (drains). The total change in the Township's investment in capital assets for the current fiscal year was an increase of \$411,184 (9.7%).

Major capital asset events during the current fiscal year included the following:

- \$152,539 expended for construction of water and sewer systems
- \$310,239 expended for road improvements
- \$100,000 expended for land adjacent to the township hall

Additional information on the Township's capital assets can be found in note 3C on pages 16 and 17 of this report.

	Activities		Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 116,000	\$ 16,000	\$ 35,186	\$ 35,186	\$ 151,186	\$ 51,186
Construction in progress	-	-	-	3,458,097	-	3,458,097
Buildings and improvements	108,293	112,303	-	-	108,293	112,303
Systems	-	-	3,520,370	-	3,520,370	-
Shared road improvements	877,468	624,547	-	-	877,468	624,547
Total	<u>\$ 1,101,761</u>	<u>\$ 752,850</u>	<u>\$ 3,555,556</u>	<u>\$ 3,493,283</u>	<u>\$ 4,657,317</u>	<u>\$ 4,246,133</u>

**Long-term debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$3,516,425.

### Fillmore Township's Outstanding Debt General Obligation and Revenue Bonds and Notes Payable

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Allegan County Sewage Disposal System Bonds	\$ 51,425	\$ 55,962	\$ -	\$ -	\$ 51,425	\$ 55,962
Allegan County Water Supply and Sewage Disposal System Bonds	-	-	3,465,000	3,540,000	3,465,000	3,540,000
Total	<u>\$ 51,425</u>	<u>\$ 55,962</u>	<u>\$ 3,465,000</u>	<u>\$ 3,540,000</u>	<u>\$ 3,516,425</u>	<u>\$ 3,595,962</u>

Total outstanding debt decreased by \$79,537 during the current year. This is the result of the Township making its required scheduled debt service payments of \$79,537 while issuing no new debt.

Additional information on the Township's long-term debt can be found in Note 3E on pages 17 and 18 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for fiscal year ended March 31, 2009 calls for no significant change in the property tax rates. The Township has appropriated \$114,900 of its March 31, 2008 fund balance for expenditure during the fiscal year ended March 31, 2009.

### **Requests for Information**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township's office.

# Basic Financial Statements

**Fillmore Township, Michigan**  
**STATEMENT OF NET ASSETS**  
**March 31, 2008**

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 764,231	\$ 315,847	\$ 1,080,078
Receivables:			
Accounts	-	848	848
Special assessments	42,209	606,661	648,870
Due from other governments	80,420	6,499	86,919
Prepaid items	-	11,556	11,556
Capital assets	<u>1,101,761</u>	<u>3,555,556</u>	<u>4,657,317</u>
 Total Assets	 <u>1,988,621</u>	 <u>4,496,967</u>	 <u>6,485,588</u>
 <b>LIABILITIES</b>			
Accounts payable	10,087	5,423	15,510
Accrued payroll	9,322	-	9,322
Noncurrent liabilities:			
Due within one year	4,537	-	4,537
Deferred issuance costs/discount	-	(123,866)	(123,866)
Due in more than one year	<u>46,888</u>	<u>3,465,000</u>	<u>3,511,888</u>
 Total Liabilities	 <u>70,834</u>	 <u>3,346,557</u>	 <u>3,417,391</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,050,336	214,422	1,264,758
Restricted for:			
Fire protection	180,144	-	180,144
Highway and street projects	82,904	-	82,904
Debt service	56,750	-	56,750
Perpetual care-nonexpendable	1,461	-	1,461
Construction code activities	31,249	-	31,249
Unrestricted	<u>514,943</u>	<u>935,988</u>	<u>1,450,931</u>
 Total Net assets	 <u>\$ 1,917,787</u>	 <u>\$ 1,150,410</u>	 <u>\$ 3,068,197</u>

**Fillmore Township, Michigan**  
**STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2008**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business Type Activities	Total
<b>Function/Programs:</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 163,903	\$ 53,160	\$ (110,743)	\$ -	\$ (110,743)
Public safety	263,933	21,020	(242,913)	-	(242,913)
Public works	82,841	-	(82,841)	-	(82,841)
Community and economic development	6,018	65	(5,953)	-	(5,953)
Interest on long-term debt	2,564	-	(2,564)	-	(2,564)
<b>Total Governmental Activities</b>	<b>519,259</b>	<b>74,245</b>	<b>(445,014)</b>	<b>-</b>	<b>(445,014)</b>
<b>Business-type activities:</b>					
Utilities expansion	313,317	13,878	-	(299,439)	(299,439)
<b>Total Primary Government</b>	<b>\$ 832,576</b>	<b>\$ 88,123</b>	<b>(445,014)</b>	<b>(299,439)</b>	<b>(744,453)</b>
<b>General revenues:</b>					
Property taxes			536,444	49,788	586,232
State shared revenues			193,543	-	193,543
Interest			30,660	53,579	84,239
Other			10,839	-	10,839
Transfers			(50,212)	50,212	-
<b>Total General Revenues</b>			<b>721,274</b>	<b>153,579</b>	<b>874,853</b>
<b>Change in Net Assets</b>			<b>276,260</b>	<b>(145,860)</b>	<b>130,400</b>
<b>Net Assets - Beginning</b>			<b>1,641,527</b>	<b>1,296,270</b>	<b>2,937,797</b>
<b>Net Assets - Ending</b>			<b>\$ 1,917,787</b>	<b>\$ 1,150,410</b>	<b>\$ 3,068,197</b>

**Fillmore Township, Michigan**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**March 31, 2008**

	General Fund	M-40 Sewer Debt Fund	Nonmajor Permanent Fund Cemetery Perpetual Care	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 748,229	\$ 14,541	\$ 1,461	\$ 764,231
Receivables:				
Special assessments	-	42,209	-	42,209
Due from other governments	65,525	-	-	65,525
<b>Total Assets</b>	<b>\$ 813,754</b>	<b>\$ 56,750</b>	<b>\$ 1,461</b>	<b>\$ 871,965</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,087	\$ -	\$ -	\$ 10,087
Accrued payroll	9,322	-	-	9,322
Deferred revenue	-	42,209	-	42,209
<b>Total Liabilities</b>	<b>19,409</b>	<b>42,209</b>	<b>-</b>	<b>61,618</b>
<b>FUND BALANCES</b>				
Reserved:				
Fire protection	180,144	-	-	180,144
Highway and street projects	82,904	-	-	82,904
Debt service	-	14,541	-	14,541
Perpetual care-nonexpendable	-	-	1,461	1,461
Construction code activities	31,249	-	-	31,249
Unreserved-reported in:				
General Fund	500,048	-	-	500,048
<b>Total Fund Balances</b>	<b>794,345</b>	<b>14,541</b>	<b>1,461</b>	<b>810,347</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 813,754</b>	<b>\$ 56,750</b>	<b>\$ 1,461</b>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,101,761
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures, and are therefore not reported in the funds	14,895
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures, and are therefore deferred in the funds	42,209
Long term liabilities are not due and payable in the current period, and are therefore not reported in the funds	(51,425)
<b>Net Assets of Governmental Activities</b>	<b>\$ 1,917,787</b>

**Fillmore Township, Michigan**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2008**

	General Fund	M-40 Sewer Debt Fund	Nonmajor Permanent Fund Cemetery Perpetual Care	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 576,355	\$ -	\$ -	\$ 576,355
Licenses and permits	21,020	-	-	21,020
State shared revenues	192,935	-	-	192,935
Charges for services	17,287	-	-	17,287
Interest and rent	27,661	2,994	5	30,660
Other	7,366	4,221	-	11,587
<b>Total Revenues</b>	<u>842,624</u>	<u>7,215</u>	<u>5</u>	<u>849,844</u>
<b>Expenditures</b>				
Current:				
General government	259,892	-	-	259,892
Public safety	263,933	-	-	263,933
Public works	335,763	-	-	335,763
Community and economic development	6,018	-	-	6,018
Debt service				
Principal	-	4,537	-	4,537
Interest	-	2,564	-	2,564
<b>Total Expenditures</b>	<u>865,606</u>	<u>7,101</u>	<u>-</u>	<u>872,707</u>
<b>Excess of Revenues Over Expenditures</b>	(22,982)	114	5	(22,863)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(50,212)	-	-	(50,212)
<b>Net Change in Fund Balances</b>	(73,194)	114	5	(73,075)
<b>Fund Balances - April 1</b>	<u>867,539</u>	<u>14,427</u>	<u>1,456</u>	<u>883,422</u>
<b>Fund Balances - March 31</b>	<u>\$ 794,345</u>	<u>\$ 14,541</u>	<u>\$ 1,461</u>	<u>\$ 810,347</u>



Fillmore Township, Michigan  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 Year Ended March 31, 2008

Net change in fund balances-Total Governmental Funds	\$ (73,075)
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	410,239
Current year depreciation expense on capitalized assets	(61,328)

Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources.

State shared revenues	108
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Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end.	(4,221)
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Repayments of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	4,537
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Change in net assets of governmental activities	\$ <u>276,260</u>
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Fillmore Township, Michigan  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
 March 31, 2008

	<u>Utilities Fund</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash	\$ 315,847
Receivables:	
Accounts	848
Due from other governments	6,499
Prepaid items	<u>11,556</u>
<b>Total Current Assets</b>	<u>334,750</u>
<b>Noncurrent Assets:</b>	
Assessments receivable	606,661
Capital assets	<u>3,555,556</u>
<b>Total Noncurrent Assets</b>	<u>4,162,217</u>
<b>Total Assets</b>	<u>4,496,967</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	<u>5,423</u>
<b>Noncurrent Liabilities:</b>	
Deferred issuance costs/discount	(123,866)
Long-term debt	<u>3,465,000</u>
<b>Total Noncurrent Liabilities</b>	<u>3,341,134</u>
<b>Total Liabilities</b>	<u>3,346,557</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	214,422
Unrestricted	<u>935,988</u>
<b>Total Net Assets</b>	<u>\$ 1,150,410</u>

Fillmore Township, Michigan  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
Year Ended March 31, 2008

	Utilities Fund
<b>Operating Revenues:</b>	
Charges for Services:	
Water sales	\$ 1,982
Other revenues	<u>11,896</u>
Total Operating Revenues	<u>13,878</u>
<b>Operating Expenses:</b>	
Operation and maintenance	34,514
General and administrative	38,928
Depreciation	<u>90,266</u>
Total Operating Expenses	<u>163,708</u>
 Operating Income (Loss)	 <u>(149,830)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Taxes	49,788
Interest income	53,579
Interest expense	(138,808)
Bond issuance cost amortization	<u>(10,801)</u>
Total Nonoperating Revenues (Expenses)	<u>(46,242)</u>
 Income (Loss) Before Contributions and Transfers	 (196,072)
 Transfers in	 <u>50,212</u>
 Change in Net Assets	 (145,860)
 Net Assets - April 1	 <u>1,296,270</u>
 Net Assets - March 31	 <u>\$ 1,150,410</u>

**Fillmore Township**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended March 31, 2008**

	Utilities Fund
<b>Cash Flows From (For) Operating Activities:</b>	
Receipts from customers	\$ 13,030
Payments to suppliers	<u>(72,821)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>(59,791)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Taxes	49,788
Transfers from other funds	<u>50,212</u>
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>100,000</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Capital contributions	69,255
Acquisition and construction of capital assets	(152,539)
Principal paid on capital debt	(75,000)
Interest paid on capital debt	<u>(138,663)</u>
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<u>(296,947)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest received on cash deposits	<u>53,578</u>
<b>Net Decrease in Cash and Investments</b>	(203,160)
<b>Cash and Investments - April 1</b>	<u>519,007</u>
<b>Cash and Investments - March 31</b>	<u>\$ 315,847</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>	
Operating income (loss)	\$ (149,830)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	90,266
Change in assets and liabilities:	
Receivables	(848)
Accounts payable	<u>621</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ (59,791)</u>
<b>Cash and investments:</b>	
Cash	<u>\$ 315,847</u>

See Notes to Financial Statements

Fillmore Township, Michigan  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
March 31, 2008

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ <u>900</u>
<b>LIABILITIES</b>	
Due to other governments	\$ <u>900</u>

**Fillmore Township, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended March 31, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Fillmore Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Fillmore Township:

**A. Reporting Entity**

Fillmore Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Blended Component Unit.** The township has no blended component units.

**Discretely Presented Component Unit.** The township has no discretely presented component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. (Fillmore Township has no such component units.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

*General Fund* - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*M-40 Sewer Debt (Debt Service) Fund* - This fund was established to account for payment of long-term debt issued in connection with the M-40 sewer expansion project.

The township reports the following major proprietary fund:

*Utilities Fund* - This fund is used to account for the operation and maintenance of a water distributions system, including wells, storage tanks, distribution mains and services, and related equipment and costs of construction. This water distribution system is currently not in operation as it is in the construction phase only. Construction costs are being defrayed by proceeds from issuance of bonds in the par amount of \$3,500,000 (issued October 20, 2005).

Additionally, the township reports the following fund types:

#### **Governmental Funds**

*Permanent Fund* - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

#### **Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds* - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities, and Net Assets or Equity**

### **1. *Bank Deposits and Investments.***

The township maintains separate cash accounts for each of its various funds.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

### **2. *Receivables and Payables.***

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, if any.

### **3. *Inventories and Prepaid Items.***

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. *Capital Assets.***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-10
Vehicles	5-25
Roads and sidewalks	15-25
Infrastructure	20-50



#### *5. Compensated Absences.*

It is the township's policy to permit certain employees to accumulate earned but unused sick and vacation pay benefits. If material, all vacation and sick pay is accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

#### *6. Long-Term Obligations.*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### *7. Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **E. Property Taxes**

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2007 ad valorem tax was levied and collectible on December 1, 2007, and recognized as revenue during the year ended March 31, 2008, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2007 taxable equivalency valuation of the township totaled \$101,299,016, on which taxes levied consisted of 0.7962 mills for operating purposes, 2.6067 mills for road purposes, 1.9099 mills for fire and first response protection purposes, and .4915 mills for water and sewer purposes. This resulted in \$80,647 for operating purposes, \$264,052 for road purposes, \$193,468 for fire and first response protection purposes, and \$49,788 for water and sewer purposes.

The above amounts are recognized in the General Fund and Utilities Fund as tax revenue.

### **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparisons of actual results of operations as compared to budget for the General Fund are included in the required supplemental information.

## NOTE 3. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

*Michigan Compiled Laws, Section 129.91*, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories.

The breakdown between deposits and investments is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and investments	\$ <u>764,231</u>	\$ <u>315,847</u>	\$ <u>900</u>	\$ <u>1,080,978</u>

At year-end, all of the township's deposits and investments consisted of bank deposits (checking and savings accounts, certificates of deposit).

## ***Deposits***

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$1,126,032 of which \$100,000 was covered by federal depository insurance and \$1,026,032 was exposed to custodial credit risk because it was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## ***Investments***

***Interest rate risk.*** Except as limited by state law as listed in the above list of authorized investments, the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit risk.*** The township has no investment policy that limits its investment choices beyond those required by state law. At year-end, the township had no investments.

## **B. Receivables**

Receivables as of year-end for the township's individual major funds, and non-major fund and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>M-40 Sewer Debt</u>	<u>Enterprise Utilities</u>	<u>Total</u>
Receivables:				
Accounts	\$ -	\$ -	\$ 848	\$ 848
Special assessments	-	42,209	606,661	648,870
Intergovernmental	65,525	-	6,499	72,024
Gross receivables	65,525	42,209	614,008	721,742
Allowance for uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 65,525</u>	<u>\$ 42,209</u>	<u>\$ 614,008</u>	<u>\$ 721,742</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 42,209</u>	<u>\$ -</u>

### C. Capital Assets

Capital asset activity of the township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 16,000	\$ 100,000	\$ -	\$ -	\$ 116,000
Capital Assets Being Depreciated					
Building and improvements	181,756	-	-	-	181,756
Machinery and equipment	4,500	-	-	-	4,500
Office furniture and equipment	20,579	-	-	-	20,579
Shared road improvements	706,440	310,239	-	-	1,016,679
Subtotal	913,275	310,239	-	-	1,223,514
Less Accumulated Depreciation for					
Buildings and improvements	(69,453)	(4,011)	-	-	(73,464)
Machinery and equipment	(4,500)	-	-	-	(4,500)
Office furniture and equipment	(20,579)	-	-	-	(20,579)
Shared road improvements	(81,893)	(57,317)	-	-	(139,210)
Subtotal	(176,425)	(61,328)	-	-	(237,753)
Net Capital Assets Being Depreciated	736,850	248,911	-	-	985,761
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 752,850	\$ 348,911	\$ -	\$ -	\$ 1,101,761

Depreciation expense was charged to programs of the township as follows:

Governmental Activities	
General government	\$ 4,011
Public works	57,317
Total Governmental Activities	\$ 61,328

Business-Type Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 35,186	\$ -	\$ -	\$ -	\$ 35,186
Construction in progress	<u>3,458,097</u>	<u>-</u>	<u>-</u>	<u>(3,458,097)</u>	<u>-</u>
Subtotal	<u>3,493,283</u>	<u>-</u>	<u>-</u>	<u>(3,458,097)</u>	<u>35,186</u>
Capital Assets Being Depreciated					
Infrastructure	-	152,539	-	3,458,097	3,610,636
Less Accumulated Depreciation for Infrastructure	<u>-</u>	<u>(90,266)</u>	<u>-</u>	<u>-</u>	<u>(90,266)</u>
Net Capital Assets Being Depreciated	<u>-</u>	<u>62,273</u>	<u>-</u>	<u>3,458,097</u>	<u>3,520,370</u>
Business-Type Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 3,493,283</u>	<u>\$ 62,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,555,556</u>

Depreciation expense was charged to programs of the business-type as follows:

Business Type Activities	
Utilities Fund	<u>\$ 90,266</u>

*Construction Commitments* - The township had no significant construction projects or commitments as of March 31, 2008.

#### D. Interfund Receivables, Payables and Transfers

There were no interfund balances as of March 31, 2008.

Interfund transfers reported in the funds statements were as follows:

	Transfers Out	
	General Fund	
Transfers In:		
Utilities Fund	<u>\$ 50,212</u>	(1)

The following describes the nature of significant transfers:

- (1) Transfer from General Fund for expenditures relating to the Water and Sewer Utilities expansion project

## E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Bonds						
Allegan County Sewage Disposal System Bonds, interest rates from 4.2% to 4.8%, maturing 2018	\$ 84,398	\$ 55,962	\$ -	\$ (4,537)	\$ 51,425	\$ 4,538
<b>Business-Type Activities</b>						
General Obligation Limited Tax Bonds						
Allegan County Water Supply and Sewage Disposal System No. 8 Bonds, Series 2005A, interest rates from 3.5% to 4.0%, maturing 2025	\$ 3,990,000	\$ 3,540,000	\$ -	\$ (75,000)	\$ 3,465,000	\$ -

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended March 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	4,538	2,467	-	68,019
2010	4,538	2,272	75,000	134,725
2011	4,538	2,074	100,000	131,662
2012	4,538	1,872	100,000	128,162
2013	4,538	1,666	125,000	124,225
2014-2018	28,735	4,865	800,000	539,719
2019-2023	-	145	1,225,000	341,500
2024-2026	-	-	1,040,000	62,800
Total	\$ 51,425	\$ 15,361	\$ 3,465,000	\$ 1,530,812

## F. Restricted Assets

The township has no restricted assets at March 31, 2008.

## NOTE 6. JOINT VENTURE

Certain entities which are not part of a township's reporting entity but were, in part, created by the township for special purposes, are accounted for as joint ventures. The following are joint ventures in which the township participates:

The township is a member of the Graafschap Fire Department (the Department), a joint venture of the township and Laketown Township, to provide fire protection within the participating townships. The township does not have an explicit, measurable equity interest in the Department. Costs of operations and capital expenditures are supported by contributions from the participating townships. Contributions from the participating townships are based on the prior year's fire protection runs and tax base in each township. The Department is managed by a board that consists of two members from each of the participating townships. For the year ended March 31, 2008, costs were allocated 76.14% to Laketown Township and 23.86% to Fillmore Township. During the year ended March 31, 2008, the township contributed \$95,700 to the Department. As of March 31, 2008, the department has net assets of \$709,058 and long-term debt of \$864,292. The Department's (General Fund) fund balance increased by \$8,215, from \$40,714 to \$48,929, for the year ended March 31, 2008. The Department's net assets increased by \$19,997, from \$689,061 to \$709,058, for the year ended March 31, 2008. Separate financial statements of the joint venture may be obtained from either of the participating townships.

The township is a member of the Hamilton Area Fire Board (the Authority), which is joint venture of the townships of Fillmore, Manlius, and Heath. The township does not have an explicit, measurable equity interest in the Authority. The Administrative Board of the Authority consists of members appointed by each participating unit and three non-voting members from the Hamilton Fire Department. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating townships. During the year ended March 31, 2008, the township contributed \$47,021 as its proportionate share of the Authority's budgeted costs. The Authority's fiscal year ends on December 31. As of December 31, 2007, the Authority had net assets of \$283,366 and long-term debt of \$51,851. There was no change in the Authority's (General Fund) fund balance for the year ended December 31, 2007. The Authority's net assets decreased by \$3,727, from \$287,093 to \$283,366, for the year ended December 31, 2007. Separate financial statements for the Authority can be obtained from the Clerk of the Township of Heath.

## NOTE 7. OTHER INFORMATION

### A. Risk Management

The township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The township has purchased full multi-peril insurance coverage underwritten by the Michigan Township Participating Plan. The township is fully insured for workers compensation claims by coverage underwritten by Accident Fund. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### B. Inspections

The township accounts for the activity of its inspection department within its general fund. Following is a summary of building inspection activity for the year ended March 31, 2008:

Fund balance, April 1, 2007	\$ 29,157
Charges for services	21,020
Building inspection expenditures	<u>(18,928)</u>
Fund balance, March 31, 2008	<u>\$ 31,249</u>

# Required Supplementary Information



**Fillmore Township, Michigan**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended March 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 550,412	\$ 550,412	\$ 576,355	\$ 25,943
Licenses and permits	20,000	20,000	21,020	1,020
State shared revenues	180,000	180,000	192,935	12,935
Charges for services	20,000	20,000	17,287	(2,713)
Interest	10,000	10,000	27,661	17,661
Other	6,300	6,300	7,366	1,066
<b>Total Revenues</b>	<u>786,712</u>	<u>786,712</u>	<u>842,624</u>	<u>55,912</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>General Government</b>				
Township board	35,000	150,000	145,249	4,751
Supervisor	25,000	25,000	24,574	426
Audit	14,000	14,000	11,735	2,265
Attorney	15,000	15,000	2,178	12,822
Clerk	15,000	15,000	12,640	2,360
Board of review	1,200	1,200	1,479	(279)
Treasurer	18,000	18,000	17,491	509
Assessor	15,000	17,000	15,913	1,087
Elections	2,000	2,000	4,164	(2,164)
Building and grounds	39,000	12,000	11,915	85
Cemetery	7,000	12,000	12,554	(554)
<b>Total General Government</b>	<u>186,200</u>	<u>281,200</u>	<u>259,892</u>	<u>21,308</u>
<b>Public Safety</b>				
Police services	84,000	84,000	82,287	1,713
Fire protection	160,000	160,000	162,719	(2,719)
Inspections	20,000	20,000	18,927	1,073
<b>Total Public Safety</b>	<u>264,000</u>	<u>264,000</u>	<u>263,933</u>	<u>67</u>
<b>Public Works</b>				
Drains	6,000	12,800	12,678	122
Highways, streets, and bridges	350,000	350,000	313,189	36,811
Street lights	4,500	4,500	4,142	358
Sanitation land fill	7,000	7,000	5,754	1,246
<b>Total Public Works</b>	<u>367,500</u>	<u>374,300</u>	<u>335,763</u>	<u>38,537</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
<b>Community and Economic Development</b>				
Planning commission	12,000	12,000	5,840	6,160
Zoning board of appeals	<u>500</u>	<u>500</u>	<u>178</u>	<u>322</u>
<b>Total Community and</b>				
<b>Economic Development</b>	<u>12,500</u>	<u>12,500</u>	<u>6,018</u>	<u>6,482</u>
 <b>Insurance, Bonds, and Fringes</b>				
Other	<u>16,500</u>	<u>16,500</u>	<u>-</u>	<u>16,500</u>
 <b>Contingencies</b>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
 <b>Total Expenditures</b>	<u>856,700</u>	<u>958,500</u>	<u>865,606</u>	<u>92,894</u>
 <b>Excess Of Revenues Over Expenditures</b>	(69,988)	(171,788)	(22,982)	148,806
 <b>Other Financing Sources (Uses)</b>				
Operating transfers out	<u>(50,212)</u>	<u>(50,212)</u>	<u>(50,212)</u>	<u>-</u>
 <b>Net Change in Fund Balances</b>	(120,200)	(222,000)	(73,194)	148,806
 <b>Fund Balances - April 1</b>	<u>867,539</u>	<u>867,539</u>	<u>867,539</u>	<u>-</u>
 <b>Fund Balances - March 31</b>	<u>\$ 747,339</u>	<u>\$ 645,539</u>	<u>\$ 794,345</u>	<u>\$ 148,806</u>



September 22, 2008

Township Board  
Fillmore Township, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, and each major fund of Fillmore Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Fillmore Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

### ***Our Responsibilities***

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

### ***Definitions Related to Internal Control Deficiencies***

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township.

### ***Identified Deficiencies in Internal Control***

**We believe the following deficiencies to be significant deficiencies in internal control.**

1. **Water Billings** – The Township did not perform water meter readings or send water billings to water customers in a timely manner. This does not allow for timely and accurate financial reporting.

**We believe the following deficiencies constitute material weaknesses.**

1. **Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)** - As is the case with many smaller and medium-sized governmental units, the Township relies on its independent external auditors to assist in the preparation of the annual financial statements and related footnote disclosures. While the Township generally understands all the information included in the annual financial statements, the Township's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who by definition cannot be considered a part of the Township's internal controls. As a result the Township lacks internal controls over the preparation of annual financial statements in accordance with GAAP. We recommend no changes to this situation at this time as the Township has determined it is more cost effective to continue to outsource this task to its external auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

2. **Auditor Adjustments** - During the course of the March 31, 2008 audit various adjustments were proposed by the auditor to properly record amounts for accounts payable, accrued payroll, special assessments earned, taxes receivable, and miscellaneous other amounts.
3. **Cash reconciliation** - The Township did not reconcile bank accounts to the general ledger throughout the year. We recommend that the Township's bank accounts be reconciled to general ledger balances on a monthly basis to ensure that all receipts, disbursements, transfers, and other reconciling items are recorded on a timely basis, and to ensure the accuracy of the Township's cash balances and financial position.
4. **Maintenance of General Ledger Accounting System** - Fillmore Township currently does not maintain a general ledger accounting for each of its funds in accordance with the Uniform Chart of Accounts issued by the Department of Treasury, to ensure complete and accurate reporting of the Township's financial activities, and as an additional control over safeguarding of Township assets. Because of this condition, there exists a likelihood that a misstatement that is material to the financial statements will not be prevented or detected by the Township's internal control.
5. **Segregation of Duties** - The Township treasurer has complete control over the recording of transactions, and also has check writing abilities, along with bank reconciliation responsibility. Because of this condition, there exists a likelihood that a misstatement that is material to the financial statements will not be prevented or detected by the Township's internal control.

This communication is intended solely for the information and use of management, the Board of Trustees, and others in the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Kiekoover, Scholma & Shumaker, PC*